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DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION:
HUMAN SETTLEMENTS

Letter dated 11 March 1993 from the Permanent Representative of Israel to the United Nations addressed to the Secretary-General

I would like to bring to your attention the steps taken by the Government of Israel to improve the welfare and standard of living of the Palestinian population in the territories.

Recently, emphasis has been placed upon expanding employment opportunities and developing the local economy in the territories. This policy is being pursued through two means. First, through legislation to encourage private initiative and local industry in order to promote investment and provide jobs. Second, through improvement of the general climate in the territories in order to create an attractive environment for investment.

As a means of encouraging investment and employment, the following economic measures were recently introduced:

1. Income tax reform:

(a) The goal of this reform is to simplify the calculation system as well as to reduce the overall tax burden on the Palestinian population;

(b) Prior to the recent reform, which was initiated in 1991, income tax collection in the territories was based upon the system prevailing before Israeli administration began in June 1967. The former system included 11 tax brackets, with the marginal income tax rates ranging from 5.5 per cent to 55 per cent;

* A/48/50.

(c) The main changes in the new tax reform are:

(i) Cancellation of the 55 per cent bracket and setting the highest marginal tax rate at 48 per cent;

(ii) Establishment of a minimum wage;

(iii) Reduction of the number of tax brackets from 11 to 5;

(iv) Adjustment of the tax brackets;

(d) The tax reform was implemented in stages:

(i) Stage one: on 1 September 1991 the existing tax brackets and personal deductions were adjusted by 14 per cent;

(ii) Stage two: on 1 January 1992 the overall reform as detailed above in section (c) was implemented.

2. Encouragement of capital investments:

(a) In order to encourage the establishment of new factories and to provide additional sources of employment in the territories, the law for the encouragement of capital investments was recently enacted. The major incentives under the law include income tax and property tax exemption for the first three years that a profit is registered, but no more than six years from the approval of the project;

(b) Under the new law, project approval is granted for new factories, or for expansion of existing factories, completed on or after 1 January 1991;

(c) So far, 23 projects that will employ 320 workers, with an overall investment of $7.5 million, have been approved in Gaza. Five projects have been approved in Judea and Samaria.

3. Encouragement of foreign investments: new procedures in this area enable foreign investors that invest a minimum of $100,000 to reside in the territories for an extended period and later to acquire residency. So far, 25 projects were approved in Gaza and 21 projects were approved in Judea and Samaria in accordance with the new procedures.

4. Labour rights for Palestinians working in Israel: every Israeli employer is required to record officially employees from the territories, in order to ensure that those workers receive appropriate wages and social benefits. Today, approximately 70 per cent of those employed in Israel are legally registered, compared to 30 per cent in the past.

5. Transfer of funds to the territories: all restrictions on the import of funds, by any means (via the Jordan bridges, Ben Gurion Airport, bank transfers, etc.) have been rescinded. Any resident can import any amount he wishes.

6. Banking: Israel is encouraging the establishment of new banks and financial establishments and the expansion of existing financial services in the territories. Recently, two new branches of the Cairo-Amman bank were opened in Bethlehem and Tulkarem and two more branches will soon be opened in Kalkilya and Jericho. A new branch of the "Palestine Bank" was approved in the city of Gaza. In addition, a group of investors in Judea and Samaria has recently received approval to establish a new commercial bank.

7. Encouraging exports: Israel is continuing to encourage the export of agricultural and industrial goods from the territories. To this end, the fees for trucks crossing the Jordan bridges have been reduced by over 75 per cent for agricultural goods, and by over 60 per cent for industrial goods. This is in addition to the 60 per cent reduction of the fee for trucks transporting agricultural goods which was introduced in 1990.

8. New factories: in addition to the law for the encouragement of capital investments and the new procedures for encouragement of foreign investments, the procedures for the approval of licences to establish new factories have been simplified and streamlined. In 1991, 95 new factories were approved in Judea and Samaria and 165 new factories were established in the Gaza district. In 1992, 70 new factories were approved in Judea and Samaria and 90 new factories were approved in the Gaza district.

9. Conversion of agricultural land to increase profitability: as part of the ongoing efforts to develop the agricultural sector, Israel is encouraging, through technical assistance and monetary grants, the conversion of agricultural land to support more profitable crops. One example of this policy is the recent project to convert unprofitable citrus groves to floral hothouses in the Gaza district.

10. Industrial parks: Israel has initiated the establishment of new industrial parks at the following sites:

(a) In the Gaza district: Beit Hanoun, Gaza City (Sheikh Ajlin), Dir el-Balah, expansion of the Erez industrial park;

(b) In Judea and Samaria: Nablus and Hebron, in addition to investments in existing industrial parks.

As a means of improving the overall atmosphere and creating a more attractive environment for local and foreign investors, the following steps were taken:

1. The conditions for crossing the Jordan bridges have been improved and the number of security checks upon entry have been reduced. In addition, the sale of exit passes has been transferred to local post offices, allowing travellers to go directly to the bridge without having to apply at the district Civil Administration office for an exit pass.

2. It is no longer necessary to provide certification that one does not owe payment to the tax offices in order to receive services.

3. The automobile surtax has been abolished.

4. All of the universities in the territories have been reopened.

5. The opening of new polytechnic colleges in Khan Yunis and Gaza has been approved.

6. The refugee resettlement plan in Najleh and Izbat Hanoun has been reinitiated.

7. Elections have been conducted for chambers of commerce in all municipalities, with the exception of Bethlehem.

8. The maximum age requirement for a permit to enter Israel has been lowered from 60 to 50 years old. As a result, those over 50 years of age now no longer need a permit to enter Israel.

9. Dozens of detainees have been released by order of the Prime Minister in order to improve the climate at the peace negotiations.

10. Security barricades in several streets have been removed, allowing greater freedom of movement for the population.

11. Houses sealed for security reasons over five years ago have been reopened on a case-by-case basis.

12. The distribution of Arabic newspapers in the territories has been expanded to include el-Ittihad, Sabah al-Hir, el-Khateb and Kol el-Arab.

Israel has also made several substantial legislative changes concerning arrest, detention and legal procedures in security-related cases in the territories:

1. The period within which a detainee must be brought before a judge was shortened from 18 to 8 days for minors and for adult residents of the territories suspected of disturbing the peace. Israeli authorities are now reviewing the legal situation with regard to adults accused of other offences.

2. At the initiative of the Minister of Justice, administrative detention orders may no longer be issued for a full year. The maximum period of detention has been halved to six months.

3. A defendant charged in military court can appeal the military court's decision concerning his arrest to the military appeals court. As a result of this change, the rights of the suspect regarding all matters relating to his detention have been expanded. This measure was introduced in order to ensure proper legal supervision of the appeals procedures concerning detention.

4. The authority of the court to issue arrest orders has been restricted to 30 days, following which time the arrest order may be extended only by the military appeals court.

The aforementioned steps were enacted despite the security problems faced by Israeli authorities in the territories.

I should be grateful if you would have the text of this letter circulated as an official document of the General Assembly under item 92 (g) of the preliminary list.

(Signed) Gad YAACOBI
Ambassador

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